IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

SITUATION ANALYSIS

- RJR has announced plans to introduce a no smoke product, Eclipse, into test market potentially in 1995

- PM has no competitive no smoke product immediately available to counter Eclipse introduction

- Only viable PM response at this time is a lower smoke product (44% less smoke) under the Merit Ultima brand name

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Source: https://www.industrydocuments.ucsf.edu/docs/kkpx0003

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MERIT ULTIMA BACKGROUND

- Lowest tar segment (0-2mg) underdeveloped in U.S.
  - Only 1.88% of total market

- Merit Ultima (1mg) marginally successful ?
  - Limited awareness among consumers – ?
  - Limited distribution – 30-40%
  - Overall .27% share – 3 packings?
  - Only 14% share of lowest tar segment

- Carlton lowest tar packings (0-2mg) dominate small segment with 1.2% share (64% of segment)

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

OVERALL BUSINESS OBJECTIVES

- Proactively establish a presence in the low smoke segment
- Pre-empt RJR attempts to dominate new segment.

OVERALL STRATEGY

- Leverage Merit Ultima to defend against Eclipse until competitive PM no smoke product is available
- Utilize less smoke (44% less) technology which is currently available

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

RATIONALE

- Minimal Risk
  - Merit Ultima's current weak market position allows for experimentation in test market with little risk of hurting overall franchise
- Good Conceptual Fit
  - Low smoke benefit is acceptable fit with Merit brand positioning
  - Merit smokers (self conscious) find appeal in less smoke concept

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

CONCEPT

- New Improved Ultima: 44% less smoke from lit end

PRODUCT

- Low side stream property
- 1mg tar
- Next (charcoal) filter
- 4 Packings
  - Kings (Soft/Box)
  - 100's (Soft/Box)

PACKAGING

- Current Ultima with "New Improved" tear tape initially
- Phase in new package with fully intergrated graphics if time allows

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

ASSUMPTIONS

- Merit Ultima Less Smoke product will be launched into Eclipse test market 10 weeks from PM decision date to launch
  - 3 stand alone markets have also been identified as possible test markets (Phoenix, Green Bay, Omaha)

Background?

- Merit Ultima Low Smoke product packings will replace current packings.

How many?

- Eclipse will invest heavily in advertising and promotion to establish awareness and trial

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

MARKETING OBJECTIVES

- Establish Merit Ultima Less Smoke as a leading brand in the low smoke segment
- Increase Merit's overall brand share of market by entering new segment - less smoke

MARKETING STRATEGIES

- Create awareness of Improved Merit Ultima with Less Smoke
- Convert current Ultima smokers to new less smoke product
- Gain trial/repeat among self conscious, low tar smokers
- Minimalize cannibalization of Merit Parent and Ultra Lights

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

	ADVERTISING	CONSUMER PROMOTION	TRADE PROMOTION
OBJECTIVES	• Create awareness of New Merit Ultima low smoke product • Stimulate trial	• Gain trial and repeat purchase of new Merit Ultima low smoke product • Minimize cannibalization of Merit Parent and Merit Ultra Lights	• Gain distribution of new Merit Ultima
STRATEGIES	• Create impactful, educational announcement style executions that position Merit Ultima as the only low smoke brand that provides satisfying taste	• Execute impactful high value introductory offers at retail to encourage trial among competitive low tar and current Ultima users • Target high value trial incentives direct to low tar competitive and current Ultima user • Execute impactful follow up retail and direct promotion to stimulate repeat purchase • Execute promotions that reward current Merit parent and Ultra Light smokers for staying in franchise	• Implement enticing new item distribution program

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IMPROVED MERIT ULTIMA
LESS SMOKE TEST MARKET

ADVERTISING PLAN

CREATIVE STRATEGY

Convince	Self conscious, uncomfortalble low tar smokers
That	You can get less smoke in a cigarette and still find satisfying taste
Because	New Merit has 44% less smoke from the lit end and satisfying taste at only 1mg tar
Source of Business	Competitive Low Tar Smokers Current Merit Ultima Smokers
Creative Execution	Trial Inducing Announcement Style Bold, Straight forward
Media Vehicles	Out of Home (Billboard, Transit) Print (Local Vehicles, Newspaper) In Store (Media 1)

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MERIT ULTIMA LOW SMOKE TEST MARKET
CONSUMER PROMOTION PLAN

OFFENSIVE PLAN:
COMPETITIVE LOW TAR SMOKERS

OBJECTIVE	STRATEGY	TACTICS
Convert competitive low tar smokers to New Merit Ultima less smoke	Gain trial and repeat purchase	Introductory FSI for free pack of new Merit Ultima Introductory direct mail to competitive users featuring coupon for free pack Follow up direct mail featuring high value coupon for repeat purchase On pack/carton promotions at retail (incentive, product) to stimulate repeat purchase

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MERIT ULTIMA LOW SMOKE TEST MARKET CONSUMER PROMOTION PLAN

DEFENSIVE PLAN:
CURRENT MERIT ULTIMA SMOKERS

OBJECTIVE	STRATEGY	TACTICS
Convert current Ultima users to new Merit Ultima Low Smoke	Gain trial and repeat purchase	Introductory FSI for free pack of new Merit Ultima Low Smoke
		Introductory direct mail coupons for free pack to current Ultima users
		Follow up direct mail featuring high value coupons and continuity
		On pack/carton retail promotions (incentive/ product)

Same as Defensive?

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MERIT ULTIMA LOW SMOKE TEST MARKET CONSUMER PROMOTION PLAN

DEFENSIVE PLAN:
CURRENT MERIT PARENT AND ULTRA LIGHT SMOKERS

OBJECTIVE	STRATEGY	TACTICS
Minimize cannibalization of Merit Parent and Merit Ultra Light users	Provide direct incentives that reward current users for their purchases	Direct mail coupon offer for current brands with reassurance. Merit Parent and Ultra Lights have not changed. National continuity events Carton stuffer reassurance

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MERIT ULTIMA LOW SMOKE TEST MARKET TRADE PROMOTION PLAN

OBJECTIVE	STRATEGY	TACTICS
Gain distribution on new Merit Ultima Low Smoke	Provide trade with compelling program to replace current Ultima and take on new distribution of Merit Ultima Less Smoke	New item distibution allowance Replacement of all current Merit Ultima stock (warehouse only)

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MERIT ULTIMA LOW SMOKE TEST MARKET
PROMOTION CALENDAR - YEAR 1

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Product at Retail	X											
Advertising	4 MO					2 MO			2 MO		1 MO	
OOH	←			→		←		→	←		→	
Print	←			→		←		→	←			
In Store	X			X		X					X	
Retail Promotion	B1G1F X			B1G1F X		B2G1F X				INCENTIVE X		
FSI	FREE PRODUCT COUPON											
Direct Mail	FREE PRODUCT COUPON			HIGH VALUE COUPONS					HIGH VALUE COUPONS			
Offensive	X			X					X			
Defensive Ultima	X			X					X +CONTINUITY			
Parent/MUL	REASSURANCE COUPONS X			REASSURANCE COUPONS X					REASSURANCE COUPONS + CONTINUITY X			

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